



Workforce Innovation and Opportunity Act Policy
Employment System Administration and Policy

Washington envisions a nationally recognized fully integrated One-Stop system with enhanced customer access to program services, improved long-term employment outcomes for job seekers and consistent, high quality services to business customers. In order to achieve this vision, Employment System Administration and Policy sets a common direction and standards for Washington's WorkSource system through the development of WorkSource system policies, information memoranda, and technical assistance.

Policy Number: 5275
To: Washington WorkSource System
Effective Date: January 4, 2016
Subject: Recapture and Reallotment of Workforce Innovation and Opportunity Act (WIOA) Title I Formula Funds

1. Purpose:

To communicate the state's policy on recapture and reallocation of local WIOA Title I formula funds.

2. Background:

The U.S. Department of Labor (DOL) requires eighty (80) percent of a state's WIOA Title I formula funds to be obligated at the end of the first program year and recaptures and reallots unobligated funds exceeding twenty (20) percent of the funds made available to a state in any single program year (July 1 to June 30), no matter how large or small the amount. This expectation is based on the Congress's intent to deploy annual funding, in the year of its appropriation, to actively close skill gaps and secure employment for employers and job seekers and support local economic activity.

Recognizing these objectives, recognizing that Washington state's LWDBs have generally met this expectation, and as part of its state administrative and oversight responsibilities, the Employment Security Department (ESD) needs to set clear expectations, ESD will apply a similar requirement to Local Workforce Development Boards (LWDBs) to meet these expectations and to ensure that Washington avoids DOL recapture at the state level.

Each LWDB is expected to track and regularly (no less than quarterly) report to its Board its actual obligations and expenditures compared to its plan and is expected to meet or exceed the eighty (80) percent obligation requirement for program year funds at the end of year one and the one hundred (100) percent expenditure rate for program year funds at the end of year two.

3. Policy:

- a. ESD will recapture and reallocate local youth, adult, and dislocated worker formula funds for a prior program year in accordance with the Act and the following procedures:
 - i. The amount available from an LWDB for recapture will be determined in accordance with WIOA Sections 128(c) and 133(c), which address recapture among local areas.
 - ii. The amount subject to recapture will be based on the unobligated balance of youth, adult, or dislocated worker funds that exceed twenty (20) percent of a program year allotment at the end of that program year for each separate fund source, based on LWDB financial reports for the quarter ending June 30.
 - iii. If a LWDB's unobligated balance for any one fund source (i.e., youth, adult, dislocated worker) exceeds twenty (20) percent at the end of the program year, ESD will recapture that amount (i.e., the amount will be reduced from that program year's grant by ESD), with the following considerations:
 1. When additional funding is allotted after initial allotments for the program year have been made, and any such additional allotment is made late in the program year so as to make obligation for its intended purpose unreasonable as determined by ESD, ESD may, by express written notification in the affected LWDB's grant, exempt such allotment from the eighty (80) percent obligation requirement. The absence of such written notification means that it is explicitly not granted. Such exemption does not alter the goal to fully expend allotments by the end of the second program year. The LWDB may choose to decline the allotment, if it determines that it will not be able to meet the obligation and/or expenditure requirements.
 2. ESD may waive recapture when all four of the following conditions are met:
 - I. an LWDB's unobligated balance for any one (but only one) fund source (i.e., youth, adult, or dislocated worker) exceeds twenty (20) percent but not more than twenty-five (25) percent at the end of the program year;
 - II. the LWDB met its eighty (80) percent obligation requirement for that fund source in the prior program year;
 - III. the LWDB specifically informed ESD in its third quarter corrective action response that it might fail to meet an eighty (80) percent obligation requirement, accompanied by action(s) to eliminate or mitigate possible occurrence; and
 - IV. the state is not subject to recapture from USDOL.

As examples, ESD may (if all four of the conditions above are met) choose to waive if the amount is de minimis or if the LWDB demonstrated a good faith effort to meet the expectation, and ESD may choose not to waive if the LWDB did not demonstrate a good faith effort to meet the expectation or has shown a pattern of failing to meet the expectation.

- iv. Recaptured funds will be reallocated to the program of origination (i.e., youth funds to the youth program, adult funds to the adult program, and dislocated worker funds to the dislocated worker program) using local formula allotment criteria for those programs. Only LWDBs that have met an 80 percent obligation rate are eligible to receive reallocated funds.
 - v. Additional factors to be considered by ESD in reallocating recaptured funds are the specific needs identified by eligible LWDBs and expenditure and obligation levels of each eligible LWDB to ensure that recipient LWDBs can either expend the reallocated funds in a timely manner, or decline reallocated funds. ESD will consult with the State Workforce Development Board (SWDB) before reallocating funds to ensure that the SWDB is aware of the proposed reallocations and is confident the reallocations will enable the State to meet its 80 percent obligation rate.
- b. Program year funds not expended by LWDBs at the end of a two-year period will be returned to the State. LWDB financial reports for the quarter ending June 30 will be used to calculate unexpended funds. Funds returned to ESD at the end of the second year will be expended in the remaining third year and will only be used for statewide activities.

4. Definitions:

Obligation: The amount of orders placed, contracts and subawards made, goods and services received, similar transactions and items specified on an obligation record during a funding period that will require payment during the same or during a future period.

5. References:

- Public Law 113-128, Workforce Innovation and Opportunity Act of 2014, Sections 128(c) and 133(c)
- Proposed 20 CFR 683.140

6. Supersedes:

WIA Title I-B Policy 3270

7. Website:

http://www.wa.gov/esd/1stop/policies/wioa_title1.htm

8. Action:

Local Workforce Development Boards and their contractors, as well as Employment Security Regional Directors, should distribute this policy broadly throughout the system to ensure that WorkSource System staff are familiar with its content and requirements.

9. Attachments:

None.

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